MIAMI TRACE LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2009

With Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Education
Miami Trace Local School District
3818 State Route 41 NW
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditors' Report* of the Miami Trace Local School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Miami Trace Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 28, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Miami Trace Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 11 and 44 through 46, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements of the Miami Trace Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 22, 2009

The discussion and analysis of Miami Trace Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- Net assets of governmental activities increased $10,911,409 which represents a 41% increase from 2008.

- General revenues accounted for $33,775,298 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $4,791,094 or 12% of total revenues of $38,566,392.

- The District had $27,654,983 in expenses related to governmental activities; $4,791,094 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $33,775,298 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consist of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide a more detailed look at financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General and Classroom Facilities Funds are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District consists of one activity:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

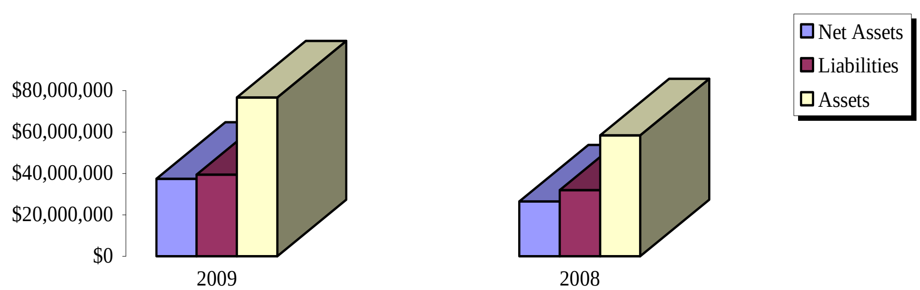
Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to fiscal year 2008:

Table 1
Net Assets

	Governmental Activities	
	2009	2008
Assets:		
Current and Other Assets	$44,388,500	$30,132,299
Capital Assets	32,370,565	28,320,422
Total Assets	76,759,065	58,452,721
Liabilities:		
Other Liabilities	9,818,911	14,193,256
Long-Term Liabilities	29,567,600	17,798,320
Total Liabilities	39,386,511	31,991,576
Net Assets:		
Invested in Capital Assets, Net of Related Debt	15,855,565	14,348,395
Restricted	15,702,260	6,904,591
Unrestricted	5,814,729	5,208,159
Total Net Assets	$37,372,554	$26,461,145



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by $37,372,554.

At year-end, capital assets represented 42% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2009, was $15,855,565. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, $15,702,260 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets increased mainly due an increase in Equity in Pooled Cash and Investments, which was due to the District receiving more of the grant monies from the Ohio School Facilities Commission for school improvements in the current year. Capital Assets for the District increased mainly due to the continuing construction of a new building in fiscal year 2009. Long-Term Liabilities increased mainly due to the issuance of new debt in fiscal year 2009. Invested in capital assets, net of related debt increased, and restricted net assets increased due to the issuance of new debt and the continuing construction of a new building for the District.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

Table 2
Changes in Net Assets

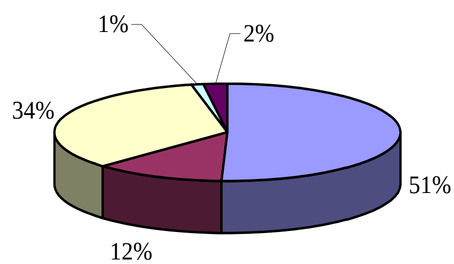
	Governmental Activities	
	2009	2008
Revenues:		
Program Revenues		
Charges for Services	$2,056,085	$2,137,089
Operating Grants, Contributions	2,682,574	1,691,455
Capital Grants and Contributions	52,435	848,194
General Revenues:		
Property Taxes	13,035,558	10,659,450
Grants and Entitlements	19,456,994	10,810,007
Other	1,282,746	3,012,012
Total Revenues	38,566,392	29,158,207
Program Expenses:		
Instruction	14,597,923	12,651,283
Support Services:		
Pupil and Instructional Staff	2,868,195	2,871,633
School Administrative, General Administration, Fiscal and Business	3,508,325	3,167,271
Operations and Maintenance	2,116,377	2,005,131
Pupil Transportation	2,084,012	1,591,511
Central	110,259	146,411
Operation of Non-Instructional Services	1,104,671	1,283,552
Extracurricular Activities	637,595	589,724
Interest and Fiscal Charges	627,626	752,405
Total Program Expenses	27,654,983	25,058,921
Change in Net Assets	10,911,409	4,099,286
Net Assets Beginning of Year	26,461,145	22,361,859
Net Assets End of Year	$37,372,554	$26,461,145

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, debt service purposes, and capital projects purposes and grants and entitlements comprised 84% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home were reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay $35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 34% of revenue for governmental activities for the District in fiscal year 2009.

Revenue Sources	2009	Percent of Total
General Grants	$19,456,994	50.5%
Program Revenues	4,791,094	12.4%
General Tax Revenues	13,035,558	33.8%
Investment Earnings	416,525	1.1%
Other Revenues	866,221	2.2%
	$38,566,392	100.0%



Instruction comprises 52.8% of governmental program expenses. Support services expenses were 38.6% of governmental program expenses. All other expenses including interest expense were 8.6%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Grants and Entitlements (General Grants) increased in fiscal year 2009 mainly due to the District receiving more from the Ohio School Facilities Commission for school improvements in the current year. Property taxes increased primarily due to an increase in amounts available for advance, when compared to the prior year. Instruction expense increased from the prior year mainly due to increases in personnel costs and general inflationary factors.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	$14,597,923	$12,651,283	($11,800,784)	($10,130,371)
Support Services:				
Pupil and Instructional Staff	2,868,195	2,871,633	(2,554,992)	(2,420,777)
School Administrative, General Administration, Fiscal and Business	3,508,325	3,167,271	(3,290,822)	(2,910,844)
Operations and Maintenance	2,116,377	2,005,131	(2,112,002)	(1,943,168)
Pupil Transportation	2,084,012	1,591,511	(1,965,145)	(1,507,347)
Central	110,259	146,411	(101,259)	(129,290)
Operation of Non-Instructional Services	1,104,671	1,283,552	(54,888)	(324,202)
Extracurricular Activities	637,595	589,724	(356,371)	(263,779)
Interest and Fiscal Charges	627,626	752,405	(627,626)	(752,405)
Total Expenses	$27,654,983	$25,058,921	($22,863,889)	($20,382,183)

The District's Funds

The District has two major governmental funds: the General Fund and Classroom Facilities Fund. Assets of the general fund comprised $14,714,685 (33%) and the classroom facilities fund comprised $20,493,330 (46%) of the total $44,183,969 governmental fund assets.

General Fund: Fund balance at June 30, 2009 was $6,596,395, an increase in fund balance of $431,418 from 2008. The primary reason for the increase in fund balance was an increase in taxes revenue due to the increase in amount of taxes available for advance.

Classroom Facilities Fund: Fund balance at June 30, 2009 was $19,206,523 including $15,508,590 of unreserved balance. The Classroom Facilities increased fund balance was mainly due to the issuance of long-term debt for the construction of a new building.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2009, the District amended its general fund budget when needed, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, final budget basis revenue was $21,729,968, compared to original budget estimates of $22,566,353. Of the $836,385 difference, most was due to the estimates for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was $3,527,393.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had $32,370,565 invested in land, construction in progress, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	$73,840	$211,261
Construction in Progress	757,774	25,014,867
Land Improvements	475,858	144,415
Buildings and Improvements	29,135,056	1,304,800
Equipment	1,928,037	1,645,079
Total Net Capital Assets	$32,370,565	$28,320,422

The increase in capital assets from the prior year is due to the continuous construction and completion of new facilities within the District and the current fiscal year additions exceeding depreciation expense.

See note 6 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2009, the District had $28,487,808 in bonds payable, $515,000 due within one year. Table 5 summarizes bonds outstanding at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2009	2008
General Obligation Bonds:		
2006 Bond Issue	$16,515,000	$16,730,000
2008 School Improvement Bonds:		
Current Interest	9,350,000	0
Capital Appreciation - Principal	76,401	0
Capital Appreciation - Interest	15,785	0
Premium	20,760	0
2009 School Improvement Bonds:		
Current Interest	2,465,000	0
Capital Appreciation - Principal	34,999	0
Capital Appreciation - Interest	9,863	0
	$28,487,808	$16,730,000

See note 7 in the notes to the basic financial statements for further details on the District's outstanding debt.

For the Future

The Ohio Supreme Court found the State of Ohio in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997 the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001 the Ohio legislature crafted a school-funding program to address the Court's concerns. In 2003 the funding program was modified as a result of Amended Substitute House Bill 95.

In June of 2006, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2007 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

District operations are funded nearly equal from the state funding system and local tax dollars. State funding changes can have a material impact on the District's financial stability. In May of 2007 the District's voters approved a five-year $2,400,000 emergency operating levy, and the board of education re-allocated one mill of the District's inside millage for permanent improvements. It is expected that the total local tax millage and current state funding program will keep the District financially stable through fiscal year 2012. The District's five-year forecast projects a positive balance through fiscal year 2012.

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the OEBM model is being phased in with FY 10 and FY 11 funding being allocated based on 99% of FY 09 funding and 98% of FY 10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY 11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

The uncertainty of the methods of state funding, available local tax resources, and the District's facility challenges require management to plan carefully and prudently to provide the resources to meet student needs.

The District has committed itself to financial excellence. With careful planning and monitoring of the District's finances and state and local financial support, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debbie L. Black, Treasurer/CFO at Miami Trace Local School District, 1400 US 22 NW, Washington C. H., Ohio 43160 or e-mail at miami_tres@mveca.org.

Miami Trace Local School District
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$29,744,068
Restricted Cash and Investments	473,821
Cash with Fiscal Agent	2,614,986
Receivables:	
Taxes	9,895,072
Accounts	1,070
Interest	12,759
Intergovernmental	1,430,600
Deferred Bond Issuance Costs	205,598
Inventory	10,526
Nondepreciable Capital Assets	831,614
Depreciable Capital Assets, Net	31,538,951
Total Assets	76,759,065
Liabilities:	
Accounts Payable	74,603
Accrued Wages and Benefits	3,069,258
Retainage Payable	39,460
Accrued Interest Payable	168,420
Contracts Payable	328,346
Unearned Revenue	5,816,231
Claims Payable	322,593
Long-Term Liabilities:	
Due Within One Year	735,547
Due In More Than One Year	28,832,053
Total Liabilities	39,386,511
Net Assets:	
Invested in Capital Assets, Net of Related Debt	15,855,565
Restricted for:	
Debt Service	1,956,015
Capital Projects	12,735,732
Other Purposes	1,010,513
Unrestricted	5,814,729
Total Net Assets	$37,372,554

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$9,921,495	$1,076,231	$53,756	$0	($8,791,508)
Special	2,212,697	53,154	1,278,560	0	(880,983)
Vocational	602,705	0	108,685	0	(494,020)
Other	1,861,026	0	226,753	0	(1,634,273)
Support Services:					
Pupil	1,315,232	16,759	163,392	0	(1,135,081)
Instructional Staff	1,552,963	84	132,968	0	(1,419,911)
General Administration	28,105	0	0	0	(28,105)
School Administration	2,310,387	26,295	131,726	0	(2,152,366)
Fiscal	1,031,684	0	59,482	0	(972,202)
Business	138,149	0	0	0	(138,149)
Operations and Maintenance	2,116,377	1,858	2,517	0	(2,112,002)
Pupil Transportation	2,084,012	0	66,432	52,435	(1,965,145)
Central	110,259	0	9,000	0	(101,259)
Operation of Non-Instructional Services	1,104,671	600,480	449,303	0	(54,888)
Extracurricular Activities	637,595	281,224	0	0	(356,371)
Interest and Fiscal Charges	627,626	0	0	0	(627,626)
Total Governmental Activities	$27,654,983	$2,056,085	$2,682,574	$52,435	(22,863,889)

General Revenues:	
Property Taxes Levied for:	
General Purposes	10,418,785
Special Revenue Purposes	311,927
Debt Service Purposes	1,922,002
Capital Projects Purposes	382,844
Grants and Entitlements not Restricted to Specific Programs	10,993,743
Grants and Entitlements for Capital Construction	8,463,251
Payment in Lieu of Taxes	673,156
Unrestricted Contributions	34,814
Investment Earnings	416,525
Other Revenues	158,251
Total General Revenues	33,775,298
Change in Net Assets	10,911,409
Net Assets Beginning of Year	26,461,145
Net Assets End of Year	$37,372,554

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Balance Sheet
Governmental Funds
June 30, 2009

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	$3,691,330	$19,391,093	$6,661,645	$29,744,068
Restricted Cash and Investments	434,361	33,541	5,919	473,821
Cash with Fiscal Agent	2,554,511	0	60,475	2,614,986
Receivables:				
Taxes	8,028,894	0	1,866,178	9,895,072
Accounts	667	0	403	1,070
Interest	0	12,759	0	12,759
Intergovernmental	3,855	1,055,937	370,808	1,430,600
Interfund	1,067	0	0	1,067
Inventory	0	0	10,526	10,526
Total Assets	14,714,685	20,493,330	8,975,954	44,183,969
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	56,076	0	18,527	74,603
Accrued Wages and Benefits	2,795,380	0	273,878	3,069,258
Compensated Absences	35,962	0	0	35,962
Retainage Payable	0	33,541	5,919	39,460
Accrued Interest Payable	0	0	60,475	60,475
Contracts Payable	0	187,731	140,615	328,346
Interfund Payable	0	0	1,067	1,067
Deferred Revenue	4,908,279	1,065,535	1,227,915	7,201,729
Claims Payable	322,593	0	0	322,593
Total Liabilities	8,118,290	1,286,807	1,728,396	11,133,493
Fund Balances:				
Reserved for Encumbrances	568,903	3,697,933	1,353,334	5,620,170
Reserved for Inventory	0	0	10,526	10,526
Reserved for Property Tax Advances	3,120,615	0	878,382	3,998,997
Reserved for Health Insurance Budget Stabilization	434,361	0	0	434,361
Unreserved, Designated for Health Insurance	2,472,516	0	0	2,472,516
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	0	0	774,683	774,683
Debt Service Funds	0	0	1,192,306	1,192,306
Capital Projects Funds	0	15,508,590	3,038,327	18,546,917
Total Fund Balances	6,596,395	19,206,523	7,247,558	33,050,476
Total Liabilities and Fund Balances	$14,714,685	$20,493,330	$8,975,954	$44,183,969

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2009

Total Governmental Fund Balance		$33,050,476
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		32,370,565
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	79,844	
Interest	9,598	
Intergovernmental	1,296,056	
		1,385,498
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(107,945)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,043,830)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		205,598
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		(28,487,808)
Net Assets of Governmental Activities		$37,372,554

See accompanying notes the the Basic Financial Statements.

Miami Trace Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$10,384,763	$0	$2,604,266	$12,989,029
Payments in Lieu of Taxes	551,347	0	121,809	673,156
Tuition and Fees	1,139,869	0	0	1,139,869
Investment Earnings	110,222	240,358	56,346	406,926
Intergovernmental	11,857,035	7,407,314	2,032,490	21,296,839
Extracurricular Activities	4,082	0	312,239	316,321
Charges for Services	10,040	0	589,722	599,762
Other Revenues	66,022	0	114,785	180,807
Total Revenues	24,123,380	7,647,672	5,831,657	37,602,709
Expenditures:				
Current:				
Instruction:				
Regular	8,912,984	0	95,892	9,008,876
Special	1,516,302	0	611,754	2,128,056
Vocational	550,243	0	0	550,243
Other	1,751,315	0	109,711	1,861,026
Support Services:				
Pupil	984,711	0	277,017	1,261,728
Instructional Staff	1,362,691	0	141,724	1,504,415
General Administration	28,105	0	0	28,105
School Administration	2,085,484	0	187,459	2,272,943
Fiscal	750,349	0	281,585	1,031,934
Business	134,414	0	0	134,414
Operations and Maintenance	1,852,539	0	168,919	2,021,458
Pupil Transportation	1,654,790	0	377,951	2,032,741
Central	101,259	0	9,000	110,259
Operation of Non-Instructional Services	0	0	1,097,566	1,097,566
Extracurricular Activities	307,446	0	298,527	605,973
Capital Outlay	300,041	4,598,968	723,872	5,622,881
Debt Service:				
Principal Retirement	0	0	215,000	215,000
Interest and Fiscal Charges	0	0	762,767	762,767
Total Expenditures	22,292,673	4,598,968	5,358,744	32,250,385
Excess of Revenues Over (Under) Expenditures	1,830,707	3,048,704	472,913	5,352,324
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	14,467	36,500	124,661	175,628
Issuance of Long-Term Capital-Related Debt	0	9,426,401	2,499,999	11,926,400
Premium on Bonds Sold	0	0	21,501	21,501
Transfers In	0	0	1,417,980	1,417,980
Transfers (Out)	(1,413,756)	0	(4,224)	(1,417,980)
Total Other Financing Sources (Uses)	(1,399,289)	9,462,901	4,059,917	12,123,529
Net Change in Fund Balance	431,418	12,511,605	4,532,830	17,475,853
Fund Balance Beginning of Year	6,164,977	6,694,918	2,714,728	15,574,623
Fund Balance End of Year	$6,596,395	$19,206,523	$7,247,558	$33,050,476

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balance - Total Governmental Funds		$17,475,853
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	5,879,098	
Depreciation Expense	(1,255,946)	
		4,623,152
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		(573,009)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	46,528	
Interest	9,598	
Intergovernmental	907,557	
		963,683
In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.		
Bond Issuance Costs	213,283	
Premium on Bonds Issued	(21,501)	
		191,782
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		215,000
In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due.		(45,550)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	19,490	
Amortization of Bond Issuance Cost	(7,685)	
Amortization of Bond Premium	741	
Bond Accretion	(25,648)	
		(13,102)
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.		(11,926,400)
Change in Net Assets of Governmental Activities		$10,911,409

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	$462,999	$78,631
Total Assets	462,999	78,631
Liabilities:		
Accounts Payable	155	1,212
Other Liabilities	0	77,419
Total Liabilities	155	$78,631
Net Assets:		
Held in Trust	462,844	
Total Net Assets	$462,844	

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
Additions:	
Donations	$27,900
Investment Earnings	7,481
Total Additions	35,381
Deductions:	
Scholarships	56,369
Total Deductions	56,369
Change in Net Assets	(20,988)
Net Assets Beginning of Year	483,832
Net Assets End of Year	$462,844

See accompanying notes to the Basic Financial Statements.

NOTE 1 - DESCRIPTION OF THE DISTRICT

July 1, 1955 was a historical date in Fayette County. The Miami Trace School District (the "District") was officially formed when the eight school districts of Concord, Green, Jasper, Madison, Marion, Perry, Union and Wayne merged. On January 1, 1956, with the addition of the districts of Bloomingburg, Jefferson and Paint, Miami Trace Local and Fayette County School Districts became one district encompassing almost all of Fayette County exclusive of the Washington Court House City School District. On February 10, 1958, after receiving a petition signed by almost 95% of the voters of the New Holland School District, the State Board of Education transferred the New Holland District into Miami Trace completing the consolidation of the twelve local districts that now make up Miami Trace.

Miami Trace covers 406 square miles, much of which is reputed to be among the most productive farmland in the state. The school district's geographical size ranks among the top five in Ohio. At the present time, approximately 2,490 students attend one elementary school, one middle school and one comprehensive high school.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the district's instructional and support facilities staffed by 102 non-certificated personnel and 210 certificated teaching and administrative personnel to provide services to students and other community members.

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District is associated with four jointly governed organizations. These organizations are discussed in the notes to the basic financial statements. These organizations are:

MVECA
Hopewell
South Central Ohio Insurance Consortium
Great Oaks Institute of Technology and Career Development

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Fund – This fund accounts for the financial transactions related to the construction of classroom facilities.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a private purpose trust fund which accounts for scholarship programs for students. The District also has a student activity agency fund, which accounts for assets and liabilities generated by student managed activities. The student activities consist of a student body, student president, student treasurer and a faculty advisor.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

EQUITY IN POOLED CASH INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

The District participates in a self funded health insurance program that pays employees health insurance claims on the District’s behalf. The balance of the District’s funds held by the claims administrator and the fiscal agent at June 30, 2009 is presented as “Cash with Fiscal Agent” on the balance sheet.

Monies for all funds were maintained in various bank accounts or were temporarily used to purchase short-term cash equivalent investments. Under existing Ohio statutes, earnings accrue to the general fund except those specifically related to agency funds, certain trust funds and those funds individually authorized by board resolution.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009 STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2009 amounted to $110,222 for the General Fund, $240,358 for the Classroom Facilities Fund, and $56,346 for Other Governmental Funds.

INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars ($2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	5-25 years
Buildings and Improvements	20-40 years
Equipment	3-15 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

Vacation	Certified	Administrators	Non-Certificated
How Earned	Not Eligible	10-20 days for each service year depending on length of service	10-20 days for each service year depending on length of service
Maximum Accumulation for Retirement Payout	Not Eligible	3 years accrual	40 days
Vested	Not Eligible	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
Sick Leave			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	214 days	Per Contract Days	214 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's $15,702,260 in restricted net assets, none were restricted by enabling legislation.

INTERFUND ACTIVITY

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

As a general rule the effect of interfund (internal) activities has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, property tax advances and health insurance budget stabilazation. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

RESTRICTED ASSETS

Restricted assets in the General Fund represent equity in pooled cash and investments set aside to establish a health insurance budget stablization for health and prescription drug benefits for the District. Restricted assets in the Classroom Facilities Fund and Other Governmental Funds represent equity in pooled cash and investments set aside to establish retainage accounts for continuing improvements (construction projects) throughout the District.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

> Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.
>
> Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

(1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

(2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

(3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

(4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

(5) Bonds, and other obligations of the State of Ohio.

(6) The Ohio State Treasurer's investment pool (STAR Ohio).

(7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

(8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2009, $12,416,179 of the District's bank balance of $20,445,179 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2009, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)
Money Market Funds	$28,225	0.00
STAROhio	13,241,017	0.16
Total Fair Value	$13,269,242	
Portfolio Weighted Average Maturity		0.16

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAAm by Standards & Poor's. The District's investments in Money Market Funds were rated AAA by Standard and Poor's and Fitch ratings and Aaa by Moody's Investors Service.

Concentration of credit risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 99% of the District's investments in STAROhio and less than 1% in money market funds.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 4 - PROPERTY TAXES

Real property taxes collected in 2009 were levied in April on the assessed values as of January 1, 2008, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a $10,000 exemption in assessed value which was reimbursed by the State.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2009, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2009. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2009. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2009, was $3,120,615 for the General Fund and $878,382 for Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2009 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	Amount
Agricultural/Residential and Other Real Estate	$301,929,080
Public Utility Personal	9,477,920
Tangible Personal Property	11,772,571
Total	$323,179,571

NOTE 5 – RECEIVABLES

Receivables at June 30, 2009, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$211,261	$0	$137,421	$73,840
Construction in Progress	25,014,867	4,047,854	28,304,947	757,774
Capital Assets, being depreciated:				
Land Improvements	769,438	398,914	137,081	1,031,271
Buildings and Improvements	5,572,405	29,051,591	1,285,350	33,338,646
Equipment	5,930,907	685,686	1,300,184	5,316,409
Totals at Historical Cost	37,498,878	34,184,045	31,164,983	40,517,940
Less Accumulated Depreciation:				
Land Improvements	625,023	42,871	112,481	555,413
Buildings and Improvements	4,267,605	868,205	932,220	4,203,590
Equipment	4,285,828	344,870	1,242,326	3,388,372
Total Accumulated Depreciation	9,178,456	1,255,946	2,287,027	8,147,375
Governmental Activities Capital Assets, Net	$28,320,422	$32,928,099	$28,877,956	$32,370,565

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$525,864
Special	95,496
Vocational	49,368
Support Services:	
Pupil	63,826
Instructional Staff	44,129
School Administration	121,391
Fiscal	3,513
Business	1,054
Operations and Maintenance	102,130
Pupil Transportation	209,697
Operation of Non-Instructional Services	7,856
Extracurricular Activities	31,622
Total Depreciation Expense	$1,255,946

NOTE 7 - LONG-TERM LIABILITIES

	Maturity Dates	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds Payable:						
2006 Bond Issue 4.00%	12/01/2033	$16,730,000	$0	$215,000	$16,515,000	$215,000
2008 School Improvement Bonds:						
Current Interest - 4.00-5.25%	12/01/2036	0	9,350,000	0	9,350,000	300,000
Principal - 4.00-5.25%		0	76,401	0	76,401	0
Capital Appreciation - Interest - 4.00-5.25%		0	15,785	0	15,785	0
Premium - 4.00-5.25%		0	21,501	741	20,760	0
2009 School Improvements Bonds:						
Current Interest - 4.00-5.25%	12/01/2031	0	2,465,000	0	2,465,000	0
Principal - 4.00-5.25%		0	34,999	0	34,999	0
Capital Appreciation - Interest - 4.00-5.25%		0	9,863	0	9,863	0
Total Long Term Debt		16,730,000	11,973,549	215,741	28,487,808	515,000
Compensated Absences		1,068,320	198,971	187,499	1,079,792	220,547
Total Governmental Activities Long Term Liabilities		$17,798,320	$12,172,520	$403,240	$29,567,600	$735,547

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Bonds were issued for the purpose of paying the District's local share of the building construction and improvements under the State of Ohio Classroom Facilities Assistance Program.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2010	$515,000	$1,289,341	$1,804,341	$0	$0	$0
2011	455,000	1,270,991	1,725,991	0	0	0
2012	480,000	1,255,662	1,735,662	0	0	0
2013	515,000	1,230,941	1,745,941	0	0	0
2014	605,000	1,206,772	1,811,772	0	0	0
2015-2019	3,090,000	5,603,731	8,693,731	111,400	663,600	775,000
2020-2024	5,285,000	4,751,168	10,036,168	0	0	0
2025-2029	7,080,000	3,409,105	10,489,105	0	0	0
2030-2034	8,520,000	1,591,315	10,111,315	0	0	0
2035-2037	1,785,000	143,718	1,928,718	0	0	0
Total	$28,330,000	$21,752,744	$50,082,744	$111,400	$663,600	$775,000

NOTE 8 - PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources.*

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were $469,680, $453,828 and $430,620 respectively; 51% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2009, 2008, and 2007 were $1,564,272, $1,544,748 and $1,470,084, respectively; 84% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

NOTE 9 - POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was $96.40; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. District contributions for the year ended June 30, 2009, 2008 and 2007 were $25,161, $21,897 and $23,069, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statues provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were $139,562, $138,678, and $110,030, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report.* The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources.*

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2009, 2008 and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2009, 2008, and 2007 were $111,734, $110,339, and $105,837, respectively.

NOTE 10 - CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2009.

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium a-site used by the district. MVECA is an association of 23 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District paid MVECA $83,743 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under the Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees. Financial information can be obtained from the offices of the Consortium's fiscal agent, Liberty-Union Thurston Local School District, 621 Washington Street, Baltimore, Ohio 43105.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District Board of Education acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and federal and state grants.

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The District has neither ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the precast of various types of liability, inland marine, and property insurance as a member of a school district risk-sharing pool (SORSA).

General liability insurance is maintained in the amount of $11,000,000 for each occurrence and $13,000,000 in the general aggregate. Other liability insurance includes $11,000,000 for fleet liability, and $1,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of $60,064,596.

The District pays all elected and appointed officials' bonds by statute.

As a benefit for employees of the Miami Trace Local School District, the District makes available health, dental, and term life insurance for all qualifying employees who desire coverage. The District pays for a portion of the health and dental insurances. The District pays 100% of the term life insurance. The District pays 100% of single dental. The employee is responsible for the difference between a single and family plan. The District pays 100% of both single and family hospitalization for employees hired before September 1992 and 85% for employees hired after September 1992. The balance remaining on all employees' benefits are deducted through payroll.

The District provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a self insured program. Claims are paid by the District to the South Central Ohio Insurance Consortium (SCOIC). SCOIC contracts with Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) for claims servicing. OME-RESA contracts with Employee Benefits Management Corporation to service the claims up to $500,000 per individual. The District also had a stop loss coverage insurance policy through OME-RESA which covered individual claims in excess of $500,000 per employee per year for medical claims. The District had shared risk pool coverage with OME-RESA which covered individual claims in excess of $50,000 up to $500,000 per employee per year for medical claims.

The claims liability of $322,593 reported in the general fund at June 30, 2009 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2008	$300,753	$3,054,539	$(3,017,807)	$337,485
2009	337,485	3,253,129	(3,268,021)	322,593

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 13 – ACCOUNTABILITY

The following individual funds had a deficit in net assets at year end:

Other Governmental Funds:	Deficit
Title I	$13,347
Improving Teacher Quality	3,269
Food Service	66,618

NOTE 14 - FUND BALANCE RESERVES FOR SET-ASIDES

The District is required by State law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 2009, the reserve activity (cash-basis) was as follows:

	Textbooks Reserve	Capital Maintenance Reserve
Balance as of June 30, 2008	$0	$0
Amount from Prior Years which Exceeded Required Set-Aside	(3,670,551)	N/A
Required Set-Aside	423,657	423,657
Qualifying Expenditures	(579,113)	(558,399)
Offset Credits	0	(454,128)
Balance as of June 30, 2009	($3,826,007)	($588,870)
Carried Forward to FY 2010	($3,826,007)	

Expenditures for textbook and instructional material activities during the year totaled $579,113, which exceeded the amount required for the set-aside by $155,456. This amount, along with the excess amount of $3,670,551 from fiscal year 2008, may be used to reduce the set-aside requirement in succeeding fiscal years for textbook and instructional material activities.

Senate Bill 345 eliminated the Budget Stabilization Reserve. Senate Bill 345 also restricted what the District may use Bureau of Workers' Compensation refunds for which the district was previously required to deposit into the Budget Stabilization Reserve. The Board of Education elected to spend the Bureau of Workers' Compensation refunds on textbooks and instructional materials, including science equipment or laboratories, and maintain the remaining balance of this reserve in a reserve established in accordance with ORC 5705.13(A).

Expenditures for capital activity during the year totaled $558,399, which exceeded the amount required for set-aside. Although the District may have had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years.

NOTE 15 - INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2009, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund Receivables	Interfund Payables	Transfers In	Transfers Out
General Fund	$1,067	$0	$0	$1,413,756
Other Governmental Funds	0	1,067	1,417,980	4,224
	$1,067	$1,067	$1,417,980	$1,417,980

Interfund receivables/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

REQUIRED SUPPLEMENTARY INFORMATION

Miami Trace Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	$8,793,962	$7,955,611	$7,954,198	($1,413)
Tuition and Fees	1,353,825	1,142,145	1,141,942	(203)
Investment Earnings	253,409	110,737	110,717	(20)
Intergovernmental	11,632,447	11,876,202	11,874,093	(2,109)
Extracurricular Activities	7,066	4,083	4,082	(1)
Charges for Services	10,993	10,042	10,040	(2)
Other Revenues	514,651	631,148	631,036	(112)
Total Revenues	22,566,353	21,729,968	21,726,108	(3,860)
Expenditures:				
Current:				
Instruction:				
Regular	9,458,908	9,858,303	9,545,833	312,470
Special	1,509,528	1,625,567	1,574,043	51,524
Vocational	574,777	607,330	588,080	19,250
Other	1,926,323	1,818,175	1,760,546	57,629
Support Services:				
Pupil	1,095,327	1,066,463	1,032,660	33,803
Instructional Staff	1,554,532	1,489,774	1,442,554	47,220
General Administration	32,226	29,025	28,105	920
School Administration	2,354,981	2,273,835	2,201,763	72,072
Fiscal	710,994	786,671	761,737	24,934
Business	133,752	146,123	141,491	4,632
Operations and Maintenance	2,189,239	2,218,902	2,148,571	70,331
Pupil Transportation	2,158,050	1,865,191	1,806,072	59,119
Central	156,095	149,873	145,123	4,750
Extracurricular Activities	326,139	317,425	307,364	10,061
Capital Outlay	1,657,180	346,995	335,997	10,998
Total Expenditures	25,838,051	24,599,652	23,819,939	779,713
Excess of Revenues Over (Under) Expenditures	(3,271,698)	(2,869,684)	(2,093,831)	775,853
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	30,000	14,470	14,467	(3)
Advances In	900,000	900,160	900,000	(160)
Advances (Out)	(200,000)	(206,547)	(200,000)	6,547
Transfers (Out)	(150,000)	(1,461,066)	(1,414,756)	46,310
Total Other Financing Sources (Uses)	580,000	(752,983)	(700,289)	52,694
Net Change in Fund Balance	(2,691,698)	(3,622,667)	(2,794,120)	828,547
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,321,513	6,321,513	6,321,513	0
Fund Balance End of Year	$3,629,815	$2,698,846	$3,527,393	$828,547

See accompanying notes to the Required Supplementary Information.

NOTE 1 – BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2009.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	General
GAAP Basis	$431,418
Revenue Accruals	(2,397,272)
Expenditure Accruals	(927,905)
Transfers (Out)	(1,000)
Advances In	900,000
Advances (Out)	(200,000)
Encumbrances	(599,361)
Budget Basis	($2,794,120)

Miami Trace Local School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Federal Revenues	Federal Expenditures
U.S. Department of Agriculture:				
(Passed through Ohio Department of Education)				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	n/a	10.555	$ 40,384	40,384
Cash Assistance:				
School Breakfast Program	05PU-2009	10.553	103,429	103,429
National School Lunch Program	LLP4-2009	10.555	278,017	278,017
Cash Assistance Subtotal			381,446	381,446
Nutrition Cluster Total			421,830	421,830
Total U.S. Department of Agriculture			421,830	421,830
U.S. Department of Education:				
(Passed through Ohio Department of Education)				
Title I Grants to Local Educational Agencies	C1S1-2008	84.010	28,477	55,322
Title I Grants to Local Educational Agencies	C1S1-2009	84.010	366,606	357,629
			395,083	412,951
Special Education Cluster:				
Special Education - Grants to States	6BSF-2008	84.027	39,077	65,706
Special Education - Grants to States	6BSF-2009	84.027	538,900	523,418
Special Education - Preschool Grants	PGS1-2008	84.173	3,150	3,209
Special Education - Preschool Grants	PGS1-2009	84.173	15,273	15,256
Special Education Cluster Total			596,400	607,589
Safe and Drug-Free Schools and Communities	DRS1-2008	84.186	-	241
Safe and Drug-Free Schools and Communities	DRS1-2009	84.186	6,532	6,340
			6,532	6,581
State Grants for Innovative Programs	C2S1-2008	84.298	2,818	4,029
State Grants for Innovative Programs	C2S1-2009	84.298	199	-
			3,017	4,029
Education Technology State Grants	TJS1-2008	84.318	-	930
Education Technology State Grants	TJS1-2009	84.318	3,520	3,406
			3,520	4,336
English Language Acquisition Grants	T3S1-2007	84.365	-	1,335
Improving Teacher Quality State Grants	TRS1-2008	84.367	-	13,379
Improving Teacher Quality State Grants	TRS1-2009	84.367	121,966	125,146
			121,966	138,525
Total U.S. Department of Education			1,126,518	1,175,346
Total Federal Awards			$ 1,548,348	1,597,176

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C - NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Miami Trace Local School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District ("School District") as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the deficiency labeled as 2009-1 and described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 22, 2009.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 22, 2009

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Miami Trace Local School District:

Compliance

We have audited the compliance of Miami Trace Local School District ("School District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 22, 2009

Miami Trace Local School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
CFDA 84.010 – Title I Program	
Dollar threshold to distinguish between Type A and Type B Programs:	$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

Finding 2009-1 – Audit Adjustments

During the course of our audit, we identified a misstatement in the financial statements for the year under audit that was not initially identified by the School District's internal control. Throughout the year, the School District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustment was necessary to correct an error in the School District's conversion process. A description of the adjustment follows:

- ***Intergovernmental Receivable.*** An audit adjustment was necessary to record an intergovernmental receivable of $1,055,937 on the financial statements. The School District signed a funding agreement with Ohio School Facility Commission (OSFC) during the current fiscal year for construction of a new middle school. The School District has met all eligibility requirements to record this grant so the audit adjustment was to record the portion of the OSFC grant which has not been received as of June 30, 2009.

Management response: *Management concurs with the finding.*

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Audit Findings and Questioned Costs

None

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Education
Miami Trace Local School District:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Miami Trace Local School District has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 21, 2006.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

(1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

(2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

(3) A procedure for reporting prohibited incidents;

(4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

(5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any reported incident;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 22, 2009

Mary Taylor, CPA
Auditor of State

MIAMI TRACE LOCAL SCHOOL DISTRICT

FAYETTE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 9, 2010

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